MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021

DEC5624 – INTRODUCTORY MACROECONOMICS

(All sections/Groups)

23 OCTOBER 2020
9.00 AM – 11.00 AM
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 2 pages.

2. Attempt **ALL** questions. The distribution of the marks for each question is given.

QUESTION 1

(a) Table 1 below is the information of South Canada's aggregate spending and revenue.

Output (billions of dollars)	Net Taxes (billions of dollars)	Planned Investment Spending (billions of dollars)	Government Purchase (billions of dollars)
200	50	30	50
400	50	30	50
600	50	30	50
800	50	30	50
1000	50	30	50
1200	50	30	50

Table 1

Given the consumption function is $C= 120 + 0.7\ Y_d$. Calculate the disposable income and aggregate consumption for every level of output.

(12 marks)

(b) Calculate the aggregate expenditure for each level of output.

(9 marks)

(c) Explain the **TWO (2)** instruments of government policy.

(4 marks)
(Total: 25 marks)

QUESTION 2

(a) Rahmat deposits RM10,000 in RHG Bank account. Bank Negara announced the required reserve ratio is 10%. By using T account, derive the credit creation process which start from RHG Bank, follow by MBB Bank and CBD Bank as the last bank in sequence respectively.

(9 marks)

(b) Calculate the total reserve, loans and deposit derived from RHG, MBB and CBD Bank.

(6 marks)

(c) Calculate the money multiplier, if there is no change with required reserve ratio.

(2 marks)

(d) Briefly explain the **FOUR (4)** main factors of influences on money holding.

(8 marks)
(Total: 25 marks)

Continued…

QUESTION 3

(a) Table 2 below is statistical data of the total population, employed and unemployed in Malaysia from 2013-2019 that was reported by the Department of Statistics, Malaysia.

Year	Total Population ('000)	Employed ('000)	Unemployed ('000)
2013	30,213.7	13,545.4	435.1
2014	30,708.5	13,852.6	411.1
2015	31,186.1	14,067.7	450.3
2016	31,633.5	14,163.7	504.1
2017	32,022.6	14,476.8	503.3
2018	32,382.3	14,776.0	504.3
2019	35,523.0	15,073.4	508.2

Table 2

Based on the information above, calculate the total labour force, and non-labour force in Malaysia from 2013-2019.

(14 marks)

(b) Compute the unemployment rate in Malaysia from 2013-2019. Indicate your answer with two decimal points.

(7 marks)

(c) Describe any **TWO (2)** categories of unemployment.

(4 marks)

(Total: 25 marks)

QUESTION 4

(a) Given the aggregate production function is $Y= 3K \times L^{1/3}$. Based on the information on the quantity of labour and capital in Table 3, compute the total output, output per capita and labour productivity. Indicate your answer with two decimal points.

Year	Quantity of Capital (K)	Quantity of Labour (L)
2014	50	50
2015	60	50
2016	70	50
2017	80	50
2018	90	50
2019	100	50

Table 3

(18 marks)

(b) What will happen to the labour productivity as capital is added in the economy?

(1 mark)

(c) Explain the **THREE (3)** factors of growth in labour productivity.

(6 marks)

(Total: 25 marks)

End of Paper